



# **Crown Resorts Limited**

## **2015 Full Year Results Presentation**

*13 August 2015*

# Crown Resorts Limited Results Overview



## **Crown Resorts Limited (Crown) performance:**

- ◆ Overall, the results for Crown's portfolio of businesses were mixed
- ◆ Normalised<sup>1</sup> NPAT attributable to the parent of \$525.5 million, down 17.9%
- ◆ Reported NPAT of \$446.3 million, down 36.5% before significant items
- ◆ The full year result was also impacted by asset impairments of \$61.3 million
- ◆ Reported NPAT attributable to the parent of \$385.0 million, down 41.3% after significant items
- ◆ Final dividend of 19 cps declared (total full year dividend of 37 cents per share)

## **Australian resorts performance:**

- ◆ Crown Melbourne's results were pleasing while Crown Perth was more subdued
- ◆ Normalised revenue of \$3,209.2 million, up 14.0%
- ◆ Main floor gaming revenue of \$1,588.6 million, up 5.5%
- ◆ Non-gaming revenue of \$664.7 million, up 4.7%
- ◆ VIP program play turnover of \$70.8 billion, up 41.8%
- ◆ Normalised EBITDA of \$916.5 million, up 14.1%
- ◆ Reported EBITDA of \$946.7 million, up 4.1%

## **Melco Crown Entertainment Limited (MCE) performance:**

- ◆ Weak market conditions in Macau adversely impacted on MCE
- ◆ Crown's share of MCE's normalised NPAT of \$161.3 million, down \$129.9 million or 44.6%
- ◆ Crown's share of MCE's reported NPAT of \$122.0 million, down \$165.6 million or 57.6%

1. Normalised results have been adjusted to exclude the impact of any variance from theoretical win rate on VIP program play, pre-opening costs from MCE and significant items. Crown considers that normalised earnings, which are calculated at theoretical win rates, are the best reflection of the underlying performance of the business as it removes the inherent volatility in VIP program play revenue.

# Crown Resorts Limited Group Result



	F15 Normalised \$m	F14 Normalised \$m	Variance F/(U)	F15 Actual \$m	F14 Actual \$m	Variance F/(U)
Crown Melbourne EBITDA	662.1	561.8	17.8%	644.6	593.3	8.6%
Crown Perth EBITDA	254.4	241.6	5.3%	302.1	315.7	(4.3%)
Crown Aspinalls EBITDA	31.7	35.2	(9.9%)	(45.3)	25.1	(280.5%)
Wagering EBITDA	(16.0)	-	N/A	(16.0)	-	N/A
Corporate costs	(107.3)	(55.9)	(91.9%)	(107.3)	(55.9)	(91.9%)
<b>EBITDA</b>	<b>824.9</b>	<b>782.7</b>	<b>5.4%</b>	<b>778.1</b>	<b>878.2</b>	<b>(11.4%)</b>
Depreciation and amortisation	(262.9)	(244.9)	(7.3%)	(262.9)	(244.9)	(7.3%)
<b>EBIT</b>	<b>562.0</b>	<b>537.8</b>	<b>4.5%</b>	<b>515.2</b>	<b>633.3</b>	<b>(18.6%)</b>
Net interest	(112.3)	(99.0)	(13.4%)	(112.3)	(99.0)	(13.4%)
Income tax	(92.2)	(86.6)	(6.5%)	(85.3)	(116.0)	26.5%
Equity accounted - Melco Crown Entertainment	161.3	291.2	(44.6%)	122.0	287.6	(57.6%)
- Betfair	0.0	(3.4)	100.0%	0.0	(3.4)	100.0%
<b>NPAT (pre non-controlling and significant items)</b>	<b>518.8</b>	<b>640.0</b>	<b>(18.9%)</b>	<b>439.6</b>	<b>702.5</b>	<b>(37.4%)</b>
Non-controlling interest	6.7	-	N/A	6.7	-	N/A
<b>NPAT (pre significant items)</b>	<b>525.5</b>	<b>640.0</b>	<b>(17.9%)</b>	<b>446.3</b>	<b>702.5</b>	<b>(36.5%)</b>
Significant items (net of tax)	-	-		(61.3)	(46.7)	(31.3%)
<b>Net Profit - attributable to the parent</b>	<b>525.5</b>	<b>640.0</b>	<b>(17.9%)</b>	<b>385.0</b>	<b>655.8</b>	<b>(41.3%)</b>

# Crown Melbourne and Crown Perth Results

## Normalised F15



	Crown Melbourne \$m	Variance F/(U)	Crown Perth \$m	Variance F/(U)	Australian Casinos \$m	Variance F/(U)
Main floor gaming	1,090.6	6.9%	498.0	2.6%	1,588.6	5.5%
VIP program play	706.6	41.0%	249.3	44.1%	955.9	41.8%
Non-gaming	436.7	6.6%	228.0	1.3%	664.7	4.7%
<b>Total Revenue (Normalised)</b>	<b>2,233.9</b>	<b>15.7%</b>	<b>975.3</b>	<b>10.4%</b>	<b>3,209.2</b>	<b>14.0%</b>
Gaming taxes, commissions & other	(736.0)	(24.4%)	(299.8)	(33.8%)	(1,035.8)	(27.0%)
Operating expenses	(835.8)	(7.4%)	(421.1)	(0.8%)	(1,256.9)	(5.1%)
<b>EBITDA</b>	<b>662.1</b>	<b>17.8%</b>	<b>254.4</b>	<b>5.3%</b>	<b>916.5</b>	<b>14.1%</b>
Depreciation & amortisation	(188.1)	(4.8%)	(62.9)	(3.3%)	(251.0)	(4.4%)
<b>EBIT</b>	<b>474.0</b>	<b>24.0%</b>	<b>191.5</b>	<b>6.0%</b>	<b>665.5</b>	<b>18.2%</b>
EBITDA / revenue %	29.6%	0.5%	26.1%	(1.3%)	28.6%	0.1%
Total revenue (actual)	2,306.7	17.0%	1,049.1	5.6%	3,355.8	13.1%
VIP turnover \$ billion	52.3	41.0%	18.5	44.1%	70.8	41.8%
VIP win rate (1.35% theoretical)	1.49%	0.03% <sup>1</sup>	1.75%	(0.46%) <sup>1</sup>	1.56%	(0.09%) <sup>1</sup>

1. Represents the difference in win rate compared to the pcp (the win rate at Crown Melbourne in the pcp was 1.46%, the win rate at Crown Perth in the pcp was 2.21% and the combined win rate in the pcp was 1.65%).

# Crown Aspinalls Results



	F15 Normalised \$m	F14 Normalised \$m	Variance F/(U)	F15 Actual \$m	F14 Actual \$m	Variance F/(U)
Total revenue	105.6	120.6	(12.5%)	20.1	112.8	(82.2%)
Total expenses	(73.9)	(85.4)	(13.6%)	(65.4)	(87.7)	25.4%
<b>EBITDA</b>	<b>31.7</b>	<b>35.2</b>	<b>(9.9%)</b>	<b>(45.3)</b>	<b>25.1</b>	<b>(280.5%)</b>
Depreciation & amortisation	(1.1)	(1.2)	2.4%	(1.1)	(1.2)	2.4%
<b>EBIT</b>	<b>30.6</b>	<b>34.0</b>	<b>(10.1%)</b>	<b>(46.4)</b>	<b>23.9</b>	<b>(294.1%)</b>
EBITDA / revenue %	30.1%	29.2%	0.9%	(225.4%)	22.3%	(247.7%)
VIP turnover \$ billion	10.1	10.5	(3.6%)	10.1	10.5	(3.6%)
VIP win rate <sup>1</sup>	1.03%	1.14%		0.19%	1.06%	

1. Crown Aspinalls normalised VIP win rate based on the mix of play during the period.

# Crown Wagering



	F15 \$m
Total revenue	89.8
Total expenses	(105.7)
<b>EBITDA</b>	<b>(16.0)</b>
Depreciation & amortisation	(6.9)
<b>EBIT</b>	<b>(22.9)</b>

- ◆ Crown Wagering includes CrownBet (from December 2014), a 62% owned joint venture and Betfair Australasia (from August 2014), 100% owned by Crown

# Crown Melbourne Licence Reform

- ◆ On 3 November 2014, the Victorian Commission for Gambling and Liquor Regulation amended the Melbourne Casino Licence to give effect to the agreement reached between Crown Melbourne and the Victorian Government, the terms of which were announced on 22 August 2014. The amendments to the Melbourne Casino Licence included:
  - ◆ The removal of 'Super Tax' on VIP program play at Crown Melbourne effective from 1 July 2014;
  - ◆ An increase in gaming product permitted to be operated at Crown Melbourne; and
  - ◆ An extension of the Melbourne Casino Licence to 2050
- ◆ In return, Crown Melbourne agreed to make a series of payments to the Victorian Government, the first of which, being \$250 million, was paid following the amendment to the Melbourne Casino Licence.



# Crown Perth Property Update - Crown Towers



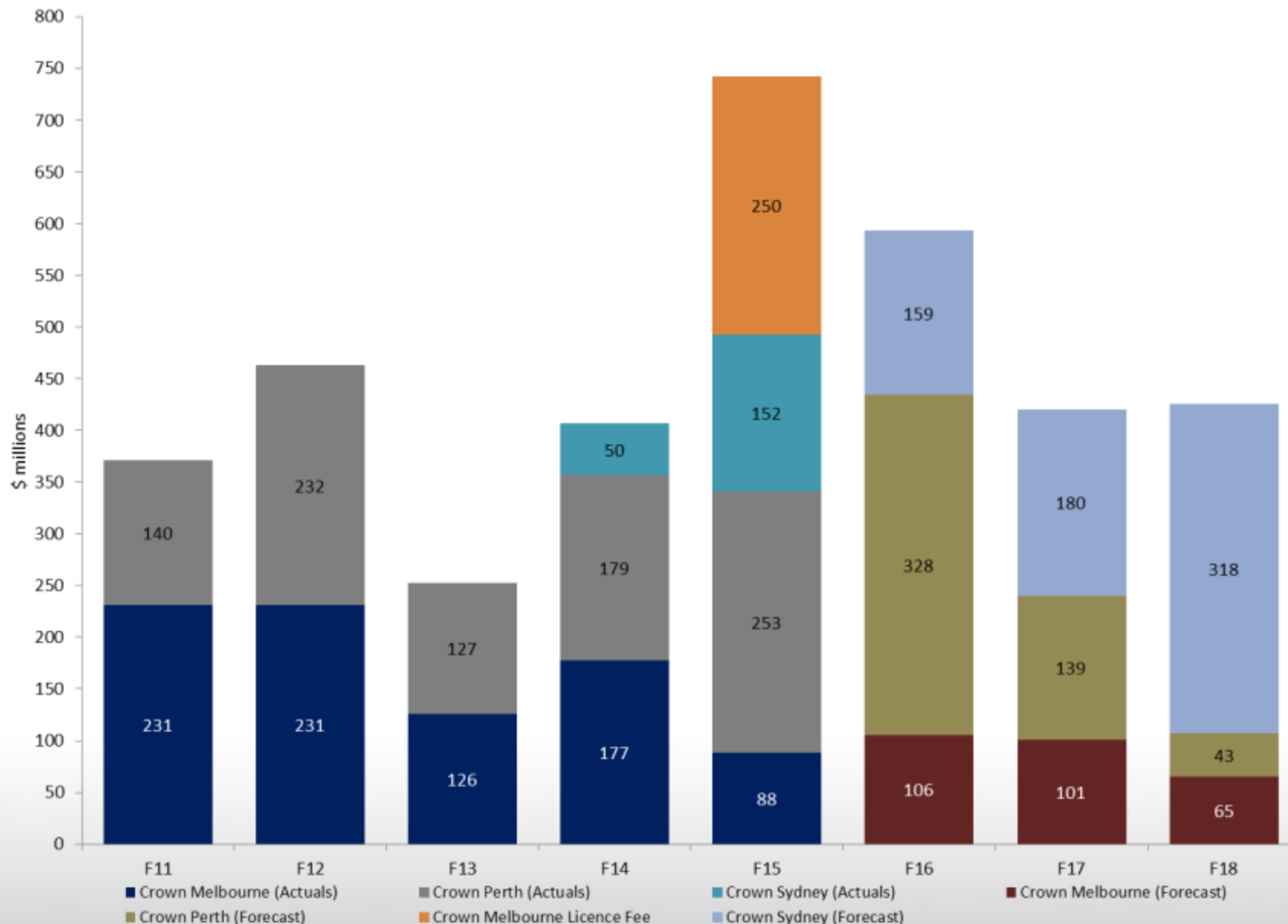
- ◆ Crown Towers will feature 500 luxury hotel rooms and suites, villas, private gaming salons, restaurants, bars, a grand ballroom, convention centre, luxury retail outlets, resort pool and spa facilities
- ◆ Approximately \$291m of the \$645m total budget has been spent through to the end of June 2015
- ◆ The project is proceeding on schedule, with targeted completion by December 2016



**Construction Progress | End of June 2015**



# Investment in Large Scale Tourism Attractions



# Crown Sydney Project

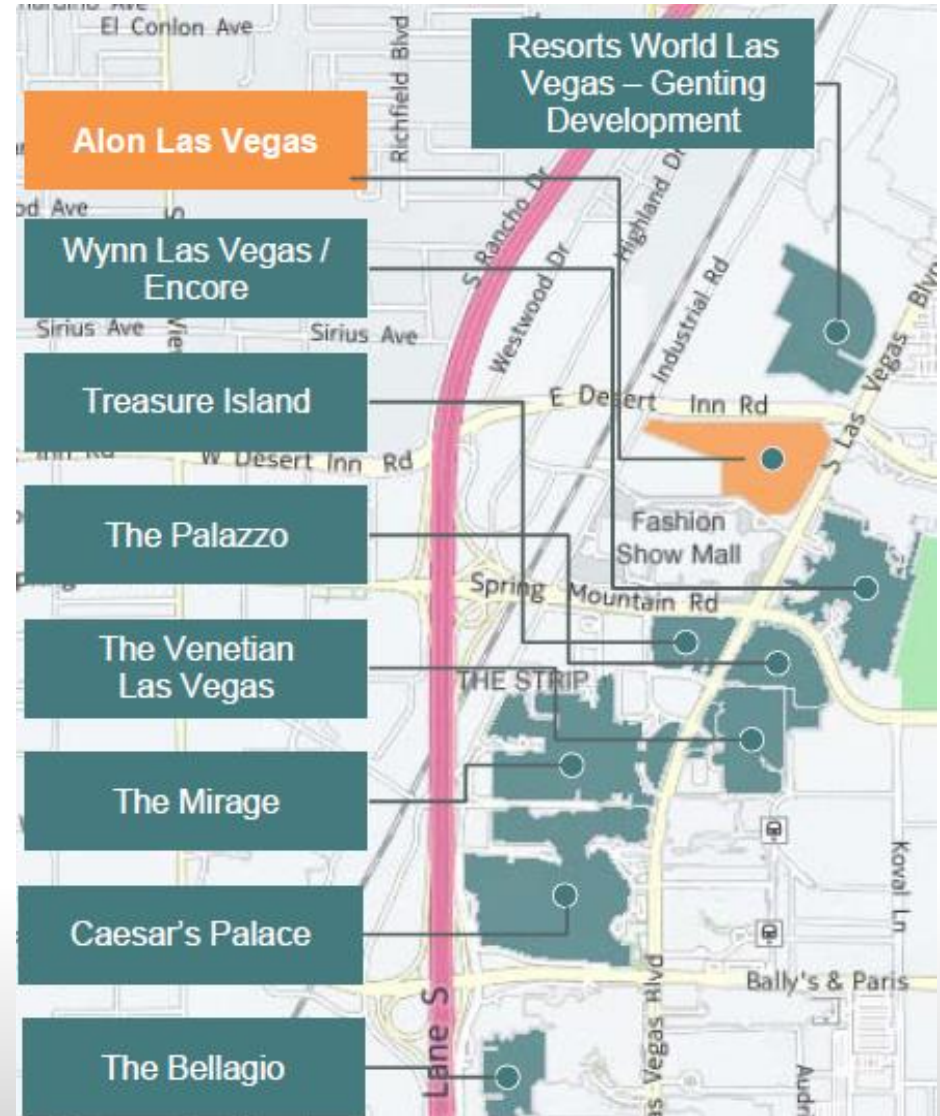


- ◆ Crown Sydney will feature approximately 350 luxury hotel rooms and suites, world-class VIP gaming facilities, luxury apartments, signature restaurants, bars, luxury retail outlets, pool and spa facilities and conference rooms
- ◆ The Independent Liquor and Gaming Authority issued a restricted gaming licence to Crown for Crown Sydney at Barangaroo South on 8 July 2014
- ◆ On 27 May 2015, Crown finalised agreements with the Barangaroo Delivery Authority and Lend Lease, which give Crown the opportunity to develop the Crown Sydney site at Barangaroo South
- ◆ The Crown Sydney project remains conditional upon receipt of planning approval for the amendments to the Barangaroo South masterplan and the development of Crown Sydney



# Alon Las Vegas Project

- ◆ Design work on the Alon Las Vegas project is continuing
- ◆ Contract negotiations are under way with a construction company
- ◆ Various applications for the project have been lodged with local government authorities for approval
- ◆ A range of funding options are being developed for the project



# Melco Crown Entertainment (MCE)



- ◆ Crown's share of MCE's normalised NPAT for the year to 30 June 2015 was an equity accounted profit of \$161.3 million, down \$129.9 million or 44.6% on the pcp. After adjusting for a below theoretical win rate and pre-opening costs, Crown's share of MCE's reported NPAT result for the year was an equity accounted profit of \$122.0 million, down \$165.6 million or 57.6% on the pcp
- ◆ Macau is currently experiencing a difficult period which has adversely affected all casino operators. Overall gross gaming revenue across the Macau market in the year to 30 June 2015 declined 26.8%, however the rate of decline increased in the second half with gross gaming revenue declining 37.0% in the six months to 30 June 2015 compared to the pcp
- ◆ MCE believes that through the strong leadership from the Macau and Chinese governments, the ongoing build-out of significant local and regional infrastructure, together with an expanding and increasingly affluent Chinese middle-to-upper-class, Macau remains the world's most important and exciting gaming market over the long term
- ◆ City of Dreams Manila<sup>1</sup> continues to grow revenues across all business segments, with MCE reporting that the rolling chip segment (VIP Program Play) gained meaningful traction in July 2015

1. The operator of City of Dreams Manila is owned by a subsidiary of Melco Crown (Philippines) Resorts Corporation which is a 68.8% owned subsidiary of MCE

# MCE - Studio City, Macau



- ◆ Studio City<sup>1</sup>, MCE's second large-scale resort in Cotai, is on track to open on 27 October 2015 and meet its design and construction budget of US\$2.3 billion
- ◆ Studio City, a Hollywood-inspired resort, will represent the most diversified entertainment resort in Macau
- ◆ Studio City will complement MCE's already unique and innovative portfolio of assets including City of Dreams, which remains the leading premium-focused integrated resort in Macau
- ◆ MCE is monitoring news reports and Macau Government policies relating to gaming table allocation in Macau and is mindful that the operational and financial performance of Studio City will depend to a large extent on the number of gaming tables allocated by the Macau Government



1. Macau Studio City is 60% owned by Melco Crown Entertainment

# Other Investments

## **Crown Joint Venture with Schiavello Group**

- ◆ On 12 December 2014, Crown announced that it had made an initial investment of \$50 million to acquire a 50% interest in land as part of a joint venture with the Schiavello Group. The parties are in the process of negotiating final joint venture arrangements
- ◆ Designs are being finalised for an iconic world-class hotel and apartment complex on the site in Queensbridge Street, Melbourne, adjacent to the Crown Melbourne complex
- ◆ The development remains subject to negotiation of a joint venture agreement, financing arrangements and a construction contract as well as being subject to planning and other government approvals

## **On-line Social Gaming Operations**

- ◆ Crown acquired a 60% interest in DGN Games LLC (DGN) in July 2015 for consideration of US\$27.5 million. In addition Crown has contributed US\$5.0 million to DGN to fund growth
- ◆ DGN is based in Austin, Texas and is a leading developer of on-line social games

## **Cannery**

- ◆ Crown continues to hold a 24.5% equity share in Cannery
- ◆ Due to the financial position of Cannery and the uncertainty surrounding the proposed sale of The Meadows, the carrying value of Crown's investment in Cannery has been written down to nil, resulting in a US\$45.6m (A\$55.9m) impairment charge which has been reported as a significant item
- ◆ During the period, Crown did not receive a distribution of any profits or recognise any earnings from Cannery

# Debt Structure



Nature of Facility	30 June 15 \$m	31 Dec 14 \$m	30 June 14 \$m
Bank debt	262.6	982.5	527.1
Finance Lease Liability	84.4	10.4	10.7
Capital market debt - EMTN	174.6	174.6	174.6
- USPP (\$US200m)	257.6	244.9	212.1
- AMTN	750.0	750.0	300.0
- Subordinated Notes <sup>1</sup>	1,132.8	518.4	518.3
<b>Total Outstanding Debt</b>	<b>2,662.0</b>	<b>2,680.8</b>	<b>1,742.8</b>
Less available cash <sup>2</sup>	(196.7)	(243.0)	(66.9)
<b>Net Debt</b>	<b>2,465.3</b>	<b>2,437.8</b>	<b>1,675.9</b>

- ◆ Committed un-drawn bank facilities of \$1,477.8 million at 30 June 2015
- ◆ Group's current debt ratings (S&P/Moody's/Fitch) BBB/Baa2/BBB (all stable)

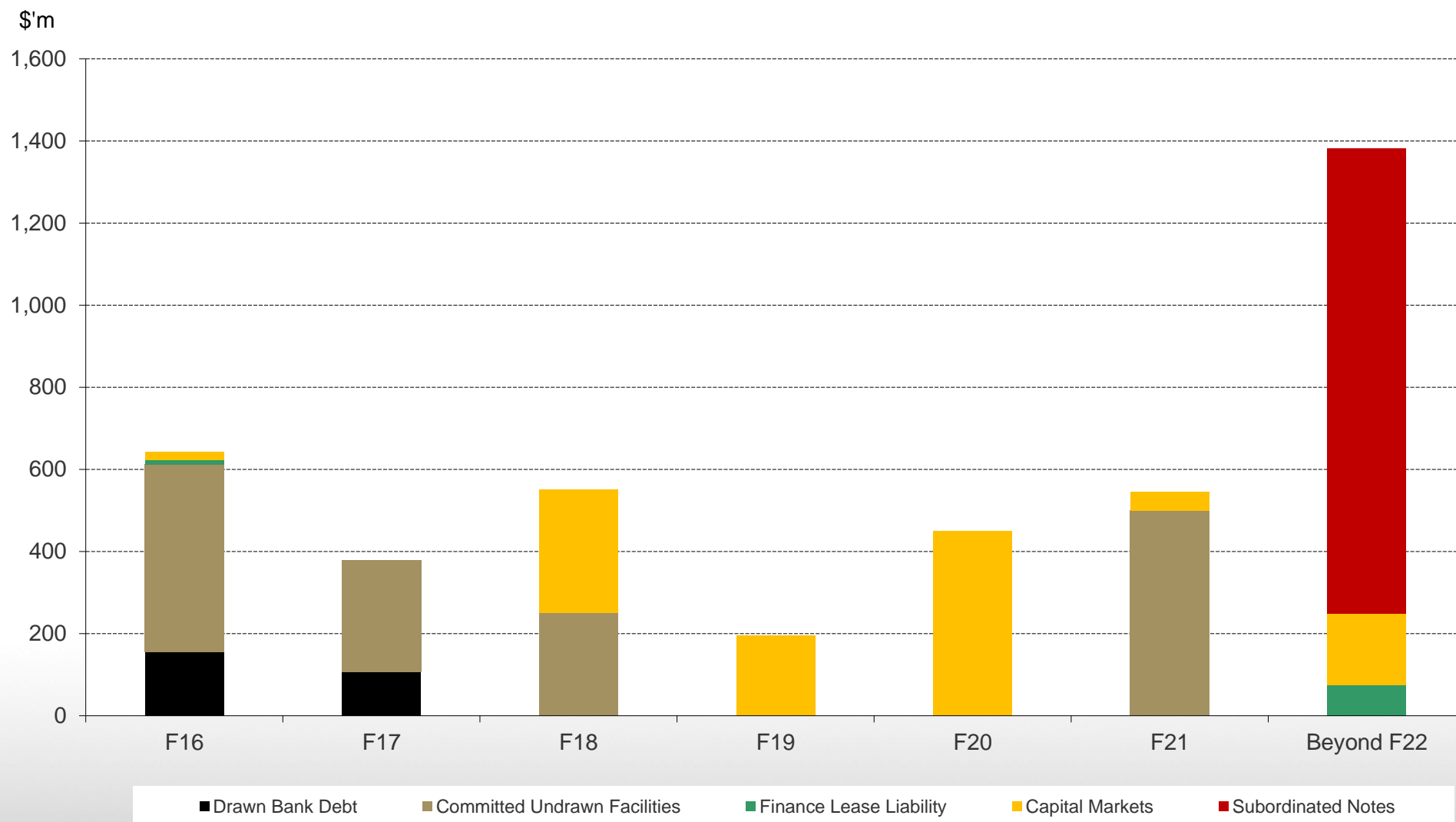
1. Net of unamortised transaction costs.

2. Available cash refers to the closing cash balance of \$341.0 million (Dec 2014: \$399.2 million, June 2014: \$177.8 million) less working capital cash of \$144.3 million (Dec 2014: \$156.2 million, June 2014: \$110.9 million). The working capital cash refers to cash held on the premises and in bank accounts for day-to-day operations of the businesses.

# Debt Maturity Profile



Crown Resorts Limited Debt Maturity Profile - 30 June 2015





# Group Cash Flow



\$m	F15	F14
<b>Normalised EBITDA</b>	<b>824.9</b>	<b>782.7</b>
Win rate variance	(46.8)	95.5
<b>Reported EBITDA</b>	<b>778.1</b>	<b>878.2</b>
Working capital movements	50.6	(100.9)
<b>Cash Flow Generated by Operations</b>	<b>828.7</b>	<b>777.3</b>
Net interest	(140.5)	(110.9)
Dividends received	52.6	94.4
Income tax payments	(106.2)	(58.8)
<b>Operating Cash Flow</b>	<b>634.6</b>	<b>702.0</b>
Capital expenditure (net) <sup>1</sup>	(502.0)	(401.4)
Licence payments	(345.0)	(5.0)
Investments (net)	(198.7)	(160.1)
Net borrowings	744.9	103.4
Dividends paid	(269.5)	(269.5)
Equity injection from non-controlling interests	72.4	-
Effect of exchange rates on cash	26.5	2.9
Net increase / (decrease) in cash	<b>163.2</b>	<b>(27.7)</b>
<b>Closing Cash</b> <sup>2</sup>	<b>341.0</b>	<b>177.8</b>

1. Net of proceeds from sale

2. Includes \$144.3 million (Dec 2014: \$156.2 million, June 2014: \$110.9 million) of cash on the company's premises and cash held in bank accounts needed to run the day-to-day operations of the businesses

# Disclaimer



- ◆ All information provided in this presentation is provided as of the date stated or otherwise as of the date of the presentation.
- ◆ This presentation may include forward looking statements. Forward looking statements, by their nature, involve inherent risks and uncertainties. Many of those risks and uncertainties are matters which are beyond Crown's control and could cause actual results to differ from those predicted. Variations could either be materially positive or materially negative.
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